

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: OGEN, SP

SUBJECT: LA MAQUINISTA TERRESTRE Y MARITIMA - GIFT OF BONDS

SUMMARY: DEPARTMENT HAS RECEIVED LETTER FROM LAW FIRM OFFERING GIFT OF BONDS OF LA MAQUINISTA TERRESTRE Y MARITIMA. FIRM REPRESENTS RESIDUAL BENEFICIARY WHO ACQUIRED BONDS THROUGH DEATH OF HUSBAND. BY GIFT TO DEPARTMENT THROUGH EMBASSY, SHE WOULD PRESUMABLY OBTAIN BENEFIT OF TAX DEDUCTIBLE CONTRIBUTION TO USG AND AVOID APPARENT GOS RESTRICTION ON TAKING BONDS OUT OF SPAIN. BEFORE ACCEPTING, WE WOULD LIKE TO FIND OUT WHETHER THIS WOULD EXPOSE USG TO ANY LIABILITY.

1. LETTER FROM SEWARD AND KISSEL LAW FIRM READS IN PART:

"OUR CLIENT, AS RESIDUARY BENEFICIARY UNDER THE WILL OF HER HUSBAND, AT PRESENT OWNS 60 BONDS OF LA MAQUINISTA TERRESTRE Y MARITIMA, S.A., A SPANISH CORPORATION. (I AM ENCLOSING FOR YOUR RECORDS A DESCRIPTION OF THE CORPORATION CONTAINED IN JANE'S MAJOR COMPANIES OF EUROPE 1975.) BECAUSE OF CURRENCY RESTRICTIONS, IT IS OUR UNDERSTANDING THAT THE BONDS ANY INTEREST THEREON, OR THE PROCEEDS FROM THEIR SALE CANNOT

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BE REMOVED FROM SPAIN.

"WE WOULD LIKE TO TRANSFER THE BONDS TO THE STATE DEPARTMENT AT THE UNITED STATES EMBASSY IN MADRID. THERE WOULD BE NO RESTRICTIONS ON SUCH A TRANSFER AND THE EMBASSY COULD SELL THE BONDS IMMEDIATELY OR RETAIN THEM UNTIL THEIR MATURITY DATE. IN EITHER CASE, THE EMBASSY WOULD BE FREE TO USE THE INTEREST AND PROCEEDS FOR GENERAL GOVERNMENTAL PURPOSES IN SPAIN."

2. WHILE LETTER SAYS EMBASSY CAN USE PROCEEDS NOW OR AT MATURITY IN SPAIN, WE WOULD LIKE EMBASSY TO CONFIRM THIS WOULD NOT VIOLATE SPANISH EXCHANGE OR CURRENCY REGULATIONS.

3. IN ADDITION, REQUEST EMBASSY FIND OUT IF RECEIPT OF GIFT IN SPAIN IS SUBJECT TO TAXATION UNDER SPANISH LAW.

4. IF NO LEGAL OBSTACLES, DEPARTMENT COULD AUTHORIZE EMBASSY TO ACCEPT BONDS AS UNCONDITIONAL GIFT UNDER SECTION 1021 OF FOREIGN SERVICE ACT. DONOR WOULD BE ENTITLED TO TAX DEDUCTION. LAW REQUIRES BONDS TO BE DEPOSITED WITH TREASURY, BUT THIS COULD BE DONE WITHOUT PHYSICAL TRANSFER. PROCEEDS COULD BE ALLOCATED TO EMBASSY FOR OFFICIAL PURPOSES TO BE EXPENDED IN SPAIN WITHOUT CHARGE TO APPROPRIATIONS.

5. LAW FIRM IS PRESSING FOR RESPONSE, SO PLEASE ADVISE IN RESPONSE TO PARAS 2 AND 3 ASAP. ANY COMMENTS SUCH AS APPARENT VALUE OF BONDS, WOULD BE WELCOME. INGERSOLL

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